

20 December 2023

Mr Tony Hilton
Director, Competition Exemptions
Australian Competition & Consumer Commission

Via email: exemptions@accc.gov.au

Dear Mr Hilton,

Virgin Australia and Air NZ authorisation application – AA1000653-1

Thank you for the opportunity to comment on the Virgin Australia International Airlines Pty Ltd and its related bodies corporate (collectively, **Virgin Australia**) and Air New Zealand Limited (**Air NZ**) (together, the **Applicants**) authorisation application (the **Application**) to make and give effect to a Commercial Framework Agreement, Codeshare Agreement, and various related agreements (the **Proposed Conduct**).

Sydney Airport (**SYD**) supports a competitive aviation market within Australia and internationally, particularly as the aviation industry is still recovering from the COVID-19 pandemic.

The trans-Tasman is Australia's largest passenger market. In 2019, it accounted for more than 17 per cent of all international travel to and from Australia (source: [BITRE](#)). Prior to the COVID-19 pandemic, the Qantas Group, Virgin Australia and Air NZ were the most effective competitors in this market and consumers greatly benefited from the strength of this competition both in terms of network choice and price. In December 2023, the trans-Tasman market remains one of the least recovered international markets from Sydney, from both a passenger and seat perspective. While Virgin Australia has resumed its Sydney-Queenstown services, it has not publicly confirmed that it will resume flying to other destinations in New Zealand that were served prior to the pandemic which included Auckland, Wellington, and Christchurch.

In this context, SYD is concerned that the Proposed Conduct, if authorised, is likely to have a material effect of disincentivising Virgin Australia from recovering trans-Tasman services using its own aircraft and providing much needed competition. As stated in the Application, Virgin Australia currently has a gap in its network which has implications not only for the sale of individual trans-Tasman services but for its domestic loyalty proposition and its ability to effectively compete for domestic services and corporate/SME customers. SYD believes that in the absence of the Proposed Conduct, Virgin Australia has a real incentive, indeed a commercial imperative to resume its trans-Tasman services, to the benefit of consumers and competition. SYD considers that the Proposed Conduct, if authorised, effectively removes this commercial imperative at a cost to competition and to the detriment of the travelling public. This is because, unlike traditional arms-length code share agreements, the Proposed Conduct will mean that Virgin Australia has no ability or reason to compete with Air NZ either on pricing or non-pricing terms.

SYD also notes that both Qantas and Air NZ currently code share on domestic services within Australia and New Zealand respectively. If the current Application was approved, we would have some form of code sharing for Air NZ with all Australian airlines operating internationally and on the trans-Tasman market.

As the aviation industry continues to recover from the pandemic, it is important to ensure that competition among airlines is promoted. This will ensure that passengers have increased choice, that airfares are competitively priced, and that the significant economic and tourism benefits and opportunities for Australia are maximised.

If you have further questions in relation to this submission, please contact Lisa Lucak (Head of Legal Services) at

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Sincerely,

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Rob Wood
Executive General Manager Aviation